Municipal Credit Research
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MOODY'S ASSIGNS Aa1 RATING TO THE TOWN OF BROOKFIELD'S (CT) $10.4 MILLION G.O. BONDS; OUTLOOK IS STABLE

TOTAL OF $43 MILLION OF RATED LONG-TERM DEBT OUTSTANDING, INCLUDING CURRENT OFFERING

Moody's Investors Service has assigned a Aa1 rating and stable outlook to the Town of Brookfield's (CT) $10.4 million General Obligation Bonds, Issue of 2010. Concurrently, Moody's has affirmed the Aa1 rating and stable outlook on the town's $32.7 million in outstanding general obligation debt. The bonds are secured by the town's unlimited tax pledge. Proceeds from the sale of the bonds will be used to finance municipal capital improvements.

RATINGS RATIONAL

The rating and stable outlook reflect the town's stable tax base, above average wealth levels, satisfactory financial operations and low debt burden.

CONSECUTIVE GENERAL FUND BALANCE REDUCTIONS HAVE NARROWED THE TOWN'S FINANCIAL FLEXIBILITY; FUND BALANCE GROWTH EXPECTED IN FISCAL 2010

Operating deficits in five of the last six fiscal years (2004-2009) reduced the town's General Fund balance by over 45% to a slim $2.4 million or 4.6% of revenues at the end of fiscal 2009, markedly below the 13% median for similarly rated Connecticut municipalities. The reserve draw downs largely resulted from the use of General Fund balance as a revenue source and lower than budgeted revenues, particularly property tax revenue. However, during fiscal 2010 the town has augmented General Fund balance by transferring in available balances from the town's Heart and Hypertension ($935,000), Capital Non-Recurring ($800,000) and Internal Service ($500,000) Funds. The city expects its undesignated General Fund balance to increase to $4.55 million or a healthier 8.84% of operations, regaining compliance with the town's policy of maintaining undesignated General Fund reserves at a minimum of 7.5% of operations. Outside of the transfers operations remained structurally balanced, including a $685,000 capital outlay appropriation.

The fiscal 2011 budget represents a 4.1% increase over the prior year. The budget, which was approved at its first referendum vote, is largely balanced with a 3.23% levy increase. While the budget does not include an appropriation of fund balance it does incorporate $400,000 of one-time revenue from the remaining balance of the town's Internal Service Fund following the end of the town's self insurance program.

As of the town's most recent actuarial valuation (July 1, 2008) Brookfield's pension plan remained relatively well funded (90%), however future actuarial reports are expected to reflect a decline due largely to market losses and public safety cost of living increases. The town maintained a funded ratio in excess of 100% until 2006 but since then has consistently funded less than its annual required contribution (ARC), averaging between 44% and 34% since 2006. Positively, the town has created a Pension Advisory Committee to develop a plan to regain full ARC funding. Looking ahead, the funding status of the town's pension plan will be an important consideration in future rating reviews.

AFFLUENT, LARGELY RESIDENTIAL FAIRFIELD COUNTY TAX BASE

Moody's believes that growth of Brookfield's $3.3 billion equalized net grand list (ENGL) will remain slow given continued economic weakness. However, Brookfield is well positioned for future tax base growth given its favorable location in Fairfield County within easy access to Interstate 84 and multi-use development opportunities created by the completion of the Route 7 bypass. Reflecting economic conditions and lower home values the town's ENGL has declined for three consecutive years, including an 8.8% reduction in 2010. The town's grand list (assessed valuation) has grown at an annual average rate of 7.6% over the past six years, inclusive of a 39% increase in 2008 following a town wide revaluation. Grand list growth in the subsequent non-revaluation years has been below 1%. Looking ahead, the completed Route 7 bypass is expected to foster additional grand list growth with the planned development of the Four Corners mixed use development. Additionally, the town expects to continue to benefit from additional growth of the Newbury Village Age Restricted Community. Brookfield's socio-economic indices exceed similarly-rated credits as reflected in the median family (MFI) and per capita incomes (PCI) which are 182% and 171% of Connecticut medians respectively; the Aa1 Connecticut MFI and PCI medians are 144% and 146%. The full value per capita is a very strong $218,574.

MANAGEABLE DEBT BURDEN

Moody's believes the town's debt burden will remain manageable given the town's limited future borrowing plans and favorable amortization of principal. Including this issue, the town's overall debt burden (ratio to ENGL) is 1.2%, well below the 2.6% national median. Debt is retired at a satisfactory rate of 66% in 10 years and 90% in 15 years. Further, debt service represented an average 8.2% of expenditures in fiscal 2009. Future debt plans include road improvements, Clean Water Fund financed sewer projects as well as parks and recreation improvements. The improvements to the town's parks and recreation facilities will be subject to voter referendum, expected in November 2010. All of the town's existing debt is fixed rate and the town is not party to any derivative agreements.

KEY STATISTICS:

2008 Census Population: 16,657 (+6.3% since 2000)

2010 Grand List (Full Value): $3.3 billion

2010 Grand List (Full Value) Per Capita: $199,317

Per Capita Income: $37,063 (129% of the state, 172% of nation)

Median Family Income: $91,296 (139% of the state, 182% of nation)

2009 General Fund Balance: $2.4 million (4.6% of revenues)

2009 Unreserved, Undesignated General Fund Balance: $1.8 million (3.6% of revenues)

Overall Debt Burden: 1.2%

Payout of Principal (within 10 years): 65.7% in ten years

Post-sale Parity Debt Outstanding: $43 million

The last rating action with respect to the town was on April 28, 2010 when the town's municipal finance scale general obligation rating of Aa2 was affirmed. That rating was subsequently recalibrated to Aa1 on May 1, 2010.

STANDARD & POOR'S

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Credit Profile		
US$10.465 mil GO bnds dtd 09/01/2010 due 09/01/2030		
Long Term Rating	AA/Stable	New

Rationale

Standard & Poor's Ratings Services assigned its 'AA' rating, and stable outlook, to Brookfield, Conn.'s series 2010 general obligation (GO) bonds.

The rating reflects our opinion of the town's:

- Stable local economy with additional access to the broader Danbury metropolitan statistical area,
- Sizable property tax base with very strong wealth and income indicators,
- Good financial position despite the use of fund balance in the past two fiscal years, and
- Low debt burden with moderate additional capital needs.

The town's full faith and credit GO pledge secures the bonds. Officials have indicated they plan to use bond proceeds to retire bond anticipation notes (BANs) and provide new financing for various capital improvement projects, including water and sewer upgrades, road improvements, and improvements to the senior citizen center.

Brookfield, with a population estimate of 16,657, covers 20 square miles in Fairfield County, about 70 miles north of New York City. Candlewood and Lillinonah lakes border the town, which is next to Danbury, Conn. (AA+/Stable). Brookfield is primarily residential with a solid retail and commercial presence. A number of large big-box retailers are in the town, including Costco and Kohl's. Per capita retail sales are a strong 182% of national levels. Residents, in general, have good access to a variety of different employment bases via Route 7 and Interstate 84, which lead directly to Danbury; Westchester County, N.Y.; Hartford, Conn.; and Norwalk, Conn. Town unemployment was 7.2% in June 2010, and unemployment continues to trend well below state and national rates. In our opinion, income levels are very strong with median household and per capita effective buying income indicators at 174% and 165%, respectively, of national levels.

The net grand list totals $2.6 billion in fiscal 2011, remaining stable after a slight decline in fiscal 2010. Market value totals $3.7 billion, or $220,765 per capita, a level we consider extremely strong. The 10 leading taxpayers account for just 5.3% of the net grand list, which we consider very diverse.

The town's financial position is, in our opinion, solid despite fund balance draws in fiscals 2008 and 2009. The town ended fiscal 2008 with a large $1.3 million draw on reserves due primarily to an error while calculating tax bills, which resulted in lower-than-expected tax bills for all residents. The town still ended the year with a general fund balance of $2.7 million, or 4.3% of expenditures, which we consider good. The town ended fiscal 2009 with another, albeit smaller, drawdown of $266,000 due to continued softening in economically sensitive revenues, including interest income, permit fees, and real estate transfer taxes. General fund balance totaled $2.4 million at fiscal year-end, or about 4.5% of expenditures, which we still consider good.

In fiscal 2010, the town ended with, in essence, break-even operations. The new management team also elected to revaluate its nongeneral fund operations to ensure their proper funding. Therefore, the town transferred $2.3 million into the general fund from overfunded accounts and closed out capital projects, including $935,000 from the heart and hypertension fund and $500,000 from its internal service fund. Unaudited results show the town ending with a general fund balance of $4.6 million, or 9% of expenditures, which we consider strong.

The fiscal 2011 budget includes an expenditure increase of 4.1% due primarily to an increase in health care and pension costs. The electorate also approved a 3.23% tax increase at first referendum. While the budget does not include a general fund balance appropriation, it includes a $400,000 transfer of idle funds from the internal service fund to offset health care cost increases. Property taxes generate approximately 93% of revenues while state aid accounts for approximately 4%. Education remains the town's leading expense, accounting for 66% of expenditures. Tax collections remain, in our view, strong at about 99% on a current basis.

Standard & Poor's considers Brookfield's management practices "standard" under its Financial Management Assessment (FMA) methodology, indicating the finance department, in our opinion, maintains adequate policies in some, but not all, key areas. The board of selectmen receives monthly reports on budgeted numbers compared to actual results and investment holdings. The town maintains a five-year capital improvement plan that it updates annually. In April 2010, the board adopted a formal fund balance policy that mandates the maintenance of an unreserved fund balance equal to at least 7.5% of expenditures. The town, however, does not maintain a formal debt policy and does not perform formal financial forecasting.

The overall debt burden, net of self-supporting water and sewer debt, is $2,135 per capita, which we consider moderate, or just 1.1% of market value, which we consider low. Carrying charges were just 9% of overall expenditures in fiscal 2009. Amortization is above average with officials planning to retire 71% of debt over 10 years and 99% over 20 years. The town is midway through a $10 million road improvement project that the electorate approved in April 2010. The town is also planning to put a $5.75 million parks and recreation project on the November 2010 ballot, which it plans to fund with a $750,000 grant and $5.00 million of debt. We understand the town might issue additional debt over the next one to two years.

Outlook

The stable outlook reflects Standard & Poor's opinion of the town's solid financial position. We expect the town will continue to maintain reserves in accordance with its newly adopted fund balance policy. Despite planned additional debt issuance, we expect the debt burden to remain low due to the rapid amortization of existing debt. Finally, the town's economic base, which we consider steady, and wealth and income levels, which we view as very strong, further support the stable outlook.

Related Criteria And Research

- USPF Criteria: GO Debt, Oct. 12, 2006
- USPF Criteria: Key General Obligation Ratio Credit Ranges – Analysis Vs. Reality, April 2, 2008